

**City Commission Workshop**

**City Hall, Commission Chambers, 3rd Floor, 1700 Convention Center Drive
March 27, 2006**

Mayor David Dermer
Vice-Mayor Saul Gross
Commissioner Matti Herrera Bower
Commissioner Simon Cruz
Commissioner Luis R. Garcia, Jr.
Commissioner Jerry Libbin
Commissioner Richard L. Steinberg

City Manager Jorge M. Gonzalez
City Attorney Murray H. Dubbin
City Clerk Robert E. Parcher

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Special note: In order to ensure adequate public consideration, if necessary, the Mayor and City Commission may move any agenda item to the alternate meeting date which will only be held if needed. In addition, the Mayor and City Commission may, at their discretion, adjourn the Commission Meeting without reaching all agenda items.

Meeting called to order at 10:28:02 a.m.

Vice-Mayor Gross stated that Mayor Dermer is delayed for just a few minutes and called the meeting to order. He stated that the meeting today is to discuss the Convention Center, the \$55 million County General Obligation Bond money, and to try to determine the best way to invest the money in the Convention Center. He thanked the City Manager for distributing the PowerPoint presentation in advance.

Jorge Gonzalez, City Manager, explained that today's Commission Workshop is to talk about the future of the Convention Center. He stated that the presentation is broken down into segments so that there is an understanding of the history, where the Convention Center is today, and what can, and should be done at the facility. The purpose of the meeting is to give the City Commission a better understanding of the current conditions both from utilization and financial perspective as well as from the facilities perspective. Strategic Advisory Group was asked to give the

City the state of the industry and where the City is going relative to the Convention Center. He stated that the City has two different perspectives to look at the Convention Center. Convention Sports Leisure, CSL, which did the initial study to analyze the space needs and how best to meet future needs. Secondly, a study was done to look at just this facility and its use. The Greater Miami Convention's and Visitors Bureau, GMCVB, has been asked to present and "make their case" that their recommendation is best for the Convention Center and the best utilization of funds. The Convention Center is a \$150 million dollar asset the City owns and as a result of today's meeting the Commission will have a better understanding of the facility's needs both of an immediate perspective and the long term aspects of what is needed to maintain and sustain the Convention Center. The basic questions which will be answered today are: 1) What is our current business at the Convention Center; 2) What is the future business at the Convention Center; 3) What are the future demands; and 4) What needs to be done to meet the future demand.

Thom Connors, SMG, stated that the Convention Center is a very important real estate asset of the City as the City Manager stated. Improvements must be made in order to keep the facility in good condition to make it a favorable place for people to visit, to meet, and to use. Some thirty plus years ago the City made a major commitment to be in the Convention Center business. It is time to look at the Convention Center to see how it can be upgraded to suit the needs of the current users, future users, and improve the brand. The Convention Center is a product and needs to be sold. The Convention Center must be competitive and must be a state-of-the-art facility.

Doug Tober, General Manager, SMG, and Thom Connors gave a PowerPoint presentation on the current conditions at the Convention Center including the types of events held at the Convention Center which are conventions, trade shows, corporate, consumer or public shows and other events. He explained how the occupancy rate is calculated. He stated that about 61% of the exhibit hall occupancy is move-in/move-out days; and about 39% actual event days. About half of the events utilize one exhibit hall. About 30% utilize two halls, and about 20% utilize three or all four of the halls. He stated that over the course of 365 days in a year, three or four of the halls are in use simultaneously about 52% of the year or about 195 days. About 40% occupancy is attributed to trade shows, 40% attributed to consumer shows, and conventions are about 18%.

Vice-Mayor Gross asked of the types of usages, which would be more likely to use the banquet facility.

Doug Tober, General Manager, SMG, stated that typically the events with are affiliated which an event in the exhibit hall are probably conventions and corporate.

Vice-Mayor Gross stated that the Commission Chamber is filled primarily with hoteliers whose interest is putting people in beds. He asked the City Manager if he knew what the relative benefit in terms of Resort Taxes is generated to the City between food, beverage and hotels, although hotels will have food and beverage sales as well.

Jorge Gonzalez, City Manager, stated that that report is available and will have the report brought to this meeting.

The presentation and discussions continued.

Mayor Dermer and Commissioner Cruz asked if the usage justify an expenditure on a ballroom.

Doug Tober, General Manager, SMG, explained that the capital needs for the existing facility over the next five years is \$20 - \$25 million.

Jorge Gonzalez, City Manager, stated that the question before the Commission is two-fold: 1) Do the numbers rationalize the need for the expansion, and 2) What about the future needs of the facility and how will they be funded? He mentioned that CDT money of \$4.5 million year which is guaranteed for the next 40 years is used first for making sure any operating losses of the facility are satisfied and the remainder can go to capital expenditures.

Commissioner Garcia asked how the Convention Center compares to other facilities around the Country.

Thom Connors, SMG, stated that he believes it is necessary to look at adding a flexible multipurpose ballroom to the facility.

Commissioner Garcia stated that the Convention Center has fallen behind the competition.

Jorge Gonzalez, City Manager, stated that he would like to see the appropriate expansion and secure on-going revenue stream to meet the on-going demands for the facility.

Vice-Mayor Gross introduced a discussion regarding how to brand the Convention Center.

Commissioner Libbin suggested the branding as a "cultural campus."

Jorge Gonzalez, City Manager, introduced Jeff Sacks and stated that there was an analysis done a couple years ago to identify what the facility needs of the destination are. The analysis pointed out that a ballroom was the most pressing need. Another analysis was done which asked if the ballroom was added, what would be the outcome. Would there be an impact?

Jeff Sacks, Strategic Advisory Group, continued with the PowerPoint presentation and stated that he was asked to look at three (3) questions: 1) To understand the desirability of the MBCC in its current state; 2) To understand the factors impacting meeting planner decisions to book MBCC; and 3) To understand how the addition of a new ballroom would affect the propensity to book the MBCC. He continued with the PowerPoint presentation. He asked what kind of ballroom do they currently use or require. As presented in the PowerPoint presentation, about one-quarter needs a ballroom of under 20,000 square feet, up to 93% in 45,000 square feet or less. He stated that the issues are: 1) When do conventions meet.

April, May and October are the big months. He then compared the pricings of the hotels rooms. The challenge is that the hotel market pricing is not consistent with what the conventions are willing to pay, so they go elsewhere. He stated that ballrooms are used for two primary functions, general sessions and banquets. He reviewed the slide titled "Ballroom General Session Use" and "Ballroom banquet use." He stated that 91% of the banqueting needs of the target market can be accommodated in the convention center exhibit hall or local hotels.

Commissioner Libbin stated that 91% of the fifty respondents stated that they would just as likely come and use the facilities with or without a ballroom, and asked why aren't they coming? Is it the hotel rates or not? This is the question to be answered.

Vice-Mayor Gross stated that this study seems to be at odds with a prior study which stated that the single most important thing that needs to be done is to build a banquet facility. The study done by Strategic Advisory Group clearly indicates that 10% to 15% of the people surveyed indicated that a banquet facility is the reason they are not coming.

Jeff Sacks, Strategic Advisory Group, continued with the PowerPoint presentation and reviewed the slide titled "Propensity to Book MBCC."

Maria Sastre, Chairwoman of the Greater Miami Convention and Visitor Bureau, spoke. She talked about a countywide study done in 2001 that analyzed the amount of convention and meeting space availability and where it was needed. It included the City of Miami Beach. This study was done by John Kaatz, Conventions Sports and Leisure International. The study indicated that the Convention Center needed multiuse functional space. She stated the study was updated in 2005 and again it came back with the same results. The Convention Center facility needs to be upgraded and the multiuse ballroom space needs to be added. If more corporate and convention business can be achieved, not only would the Convention Center do better but the hotels would definitely continue to do better. John Kaatz was recently commissioned by the City Manager to do a halo study for the Cirque Du Soleil project. She also talked about Vice-Mayor Gross' issue regarding the brand. She stated that this is what the GMCVB believes is the City's brand position, and what the market accepts as our brand position: "We are a brand that is sophisticated, that's hip, that's progressive, that is multi-cultural and diverse, that offers high value and is inclusive of all segments of the population." She introduced John Kaatz who is going to give the Bureau's perspective on why the Bureau feels the resources should be used towards a ballroom or multiuse function space. She stated that this is County money. The Bureau's position on the Convention Center is: 1) The Convention Center in general needs to be upgraded (internal and external appearance, flooring, lighting, technology, sq. footage increase, and the audio visual capacity), and 2) ballroom or expanded space needs to be added.

Commissioner Cruz asked the question: Keeping in mind limited resources, to keep the Convention Center competitive, what needs to be done?

John Kaatz, Conventions Sports and Leisure International, gave a PowerPoint presentation. 80% of the event planners who are willing to come to Miami Beach

require space for some sort of ballroom or general session functions. He stated that more and more conventions and trade shows are hosting general sessions, hosting food functions, doing light exhibits, poster sessions, and shareholder meetings. To hold these types of functions in an exhibit hall is difficult, it isn't perfect, and it's expensive. If the City pushes Hall A for example as a ballroom, a competitor will say look at my state-of-the-art 50,000 sq. foot ballroom, sub-divisional, multi-lingual translation capabilities, etc.; who do you think will be selected? He stated that what other destination is there that parallels Miami Beach in its features. Miami Beach is a great draw. If around the industry there is tremendous investment in convention center space where is it going? Where are other Cities spending their money? Expansions since 1996, on average, exhibit space expansion has been about 70%. The expansion of general session/multiuse space has been about 160%.

William D. Talbert III, GMCVB President & CEO, talked about room rates.

GMCVB Senior Vice President of Sales Ita Moriarty talked about economic impact. She stressed three (3) very important figures: 1) \$100 million dollars – Convention business that occurred in 2005, 2006, and 2007; 2) \$161 million dollar – currently 28 groups are considering Miami Beach as a destination from 2007 through 2015; and 3) she stated that the Bureau is selling that there is going to be a multi-purpose facility added to the space, that the Convention Center will be upgraded and technologically brought up to our competitors. She talked about \$1.4 billion potential high value customers. What companies are not looking at the City of Miami Beach today, but could because of the hotel package, destination appeal, and convention center upgrades and expansion.

Stu Blumberg spoke about the Convention Development Tax, CDT, and the Convention Center booking policy. He also stated that he believes the \$4.5 million annual money is not being used to maintain the Convention Center.

Jorge Gonzalez, City Manager, asked Mr. Blumberg, what are the things he would put in an incentive clause for SMG?

Stu Blumberg stated that he would have to go back to the two previous contracts that he negotiated and will come back with an answer.

Alex Munoz, Assistant County Manager, stated that the County has a great interest in the ballroom and the GO Bond commitment was based on a lot of the information given today by CSL, the Association, and the Bureau. He stated that the ballroom/multi purpose space is a priority for the County.

Jorge Gonzalez, City Manager, stated that the rest of the building needs attention as well. He added that the other needs must be in the County's interest as well.

Vice-Mayor Gross asked why then isn't there a list of what needs to be done to the Convention Center other than the multipurpose room to upgrade it in terms of technology, facelift, and meeting space. The Commission needs to know the full range of the needs before a decision can be made.

Jorge Gonzalez, City Manager, stated that the Vice-Mayor is correct. The

problem has been the difference of opinion over what is needed to be most competitive.

Discussion continued regarding the multi-space area.

Maria Sastre, Chairwoman of the Greater Miami Convention and Visitor Bureau, made reference to a letter from Microsoft that stated: "The experience in the City and the people were absolutely top notch. There were shortcomings in the Convention Center which hampered their ability for future bookings. Specifically in the area of technology, increase in ballroom space, allowance for larger scale breakout meetings, and increased food preparation facilities."

Doug Tober, General Manager, SMG, stated that when they looked at underutilized space in the Convention Center, the south west corner (Hall C) is the oldest part of the building and in most need of renovation. There is 20,000 sq. feet, a twelve and an eight thousand square foot area presently with a lot of wasted space. SMG feels this is the best location to add space.

Commissioner Libbin stated that if the Commission doesn't do something the Convention Center will continue to fall further and further behind and the City won't be competitive. The Bureau is suggesting that there is the potential of \$160 million of new businesses particularly between June and October. One of the other comparisons suggests that room rates during that period are all within the requirements. There seems to be an excellent opportunity; hotel space is available, it's at the price people are willing to pay, and there is a potential of \$160 million dollars of new business out there. We need to move forward. We need to take the Microsoft letter seriously.

Commissioner Steinberg asked about condominium conversions and the impact on available hotel room blocks.

GMCVB Senior Vice President of Sales Ita Moriarty stated that it has a definite effect on 2006, 2007, and 2008, however, getting room blocks is not difficult.

Commissioner Steinberg also asked about the booking policy provision where the Convention Center is, by the booking policy, not allowed to have events in it that don't take up the larger rooms. Will the City's hands be tied if someone wants to hold a wedding in the Convention Center because of the booking policy?

Stu Blumberg stated that having written the catering clause which has been in existence for 18-years, outside catering has to go to a hotel, it cannot come into the Convention Center. He stated that personally, and some of the other members also believe, that the clause has reached its apex.

Commissioner Bower asked if video conferencing will make convention business decline.

Maria Sastre, Chairwoman of the Greater Miami Convention and Visitor Bureau, stated that there is no empirical evidence to answer this question. The audio/visual supplements but does not replace the convention business.

Doug Tober, General Manager, SMG, regarding technology stated that \$2.8 million was spent on telecommunications and data communications infrastructure in the Convention Center about four (4) years ago. The facility is fully fiber. He stated that wireless is probably the biggest issue.

Maria Sastre, Chairwoman of the Greater Miami Convention and Visitor Bureau, stated that wireless internet capacity, switching capabilities, and trained technical professionals who can support the centers technology backbone is what Microsoft clearly stated that they needed.

Vice-Mayor Gross asked about the 5-year capital plan for the Convention Center and who is updating the plan? He stated that he would like to see the document divided into two categories: 1) Maintenance and 2) Making the Convention Center more appealing.

Doug Tober, General Manager, SMG, stated that SMG has focused primarily on the cosmetic upgrades that have been done, such as carpet, painting, and restroom upgrades. There is a balance between the wish list and the reality list. From a technology standpoint the infrastructure, as far as the backbone goes, has been installed.

Jorge Gonzalez, City Manager, stated that over the last eight years over \$40 million dollars has been spent on the Convention Center or about an average of \$5 million annually for capital improvements. He stated that he is not sure what is meant by improvements to the Convention Center need to be made.

Commissioner Garcia stated that the City has just been putting band aids on the problems.

Jorge Gonzalez, City Manager, added that he would like to be educated about what are the improvement mentioned and secondly if the improvements are more than \$55 million, how will this be handled?

Commissioner Bower recommended that there be two categories; 1) a ballroom or a multi purpose room and 2) What are the other improvements which need to be done?

Jorge Gonzalez, City Manager, stated that the third piece is the on-going maintenance which also needs to be considered. This is the challenge.

Maria Sastre, Chairwoman of the Greater Miami Convention and Visitor Bureau, summarized by stating that there is \$55 million available for the Convention Center and the expansion for the multifunctional space. The money can be made available soon than 2012 just by being able to delineate the project to the County. The County Manager has agreed to accelerate the money as long as a plan was submitted. We talked about three things: 1) There is a need for expansion and inclusion of a multipurpose facility at an estimated cost of \$35 million dollars; 2) Commissioner Bower has asked for a detail list of what are the upgrades that are needed; and 3) The last issue is on-going repair and maintenance.

Vice-Mayor Gross stated that it is imperative that the Commission be given the list

of the other things which need to be done.

Commissioner Bower stated that she needs to know where the annual maintenance money will come from.

Jorge Gonzalez, City Manager, suggested that the same group of stakeholders who met in November get back together to identify the so-called improvements and come back with cost estimates and recommendations. He stated that if he can have both the ballroom and the improvements he would like both, however, the problem is when a choice between the ballroom and the other improvements has to be made, and he doesn't have enough information to make a fair recommendation. The County should also be invited because the County will have to assist in the funding.

Stu Blumberg stated that the \$4.5 million which the City will be receiving through 2040 is earmarked by the Interlocal Agreement for operational deficit and maintenance of the facility. He asked the City Manager to finally reallocate what the \$4.5 million is going to. It is not going to maintenance.

Melanie Muss stated that the last thing that anyone would like to see is the Convention Center competing with Miami Beach hotels for the social catering business.

Jorge Gonzalez, City Manager, will organize the meeting.

Maria Sastre, Chairwoman of the Greater Miami Convention and Visitor Bureau, stated that the meeting needs to be held as soon as possible because it is important that if it is determined to move forward with the project, and the time table is accelerated, we need to be in front of the County Commission by June to get the money advance approved.

President & CEO William D. Talbert III, stated that if the City can demonstrate to the County Commission that it is moving forward and doing the right thing, he believes other monies will come and the Bureau will support the City.

Vice-Mayor Gross stated that the Commission would like to understand the whole funding package and identify funding sources otherwise the items will need to be prioritized. He stated that there does not need to be another Workshop to finalize. This item should be ready to hear at the City Commission meeting in May. The meeting with the stakeholders should be before May, and the item is to be referred to the Finance and Citywide Projects Committee for their review before coming to the Commission in May.

Maria Sastre, Chairwoman of the Greater Miami Convention and Visitor Bureau, thanked the entire industry who was present today. She also thanked the City Commission.

Meeting adjourned at 1:43:35 p.m.

Handout and Reference Materials:

1. Notice of City Commission Workshop in The Miami Herald

2. Bound document titled Miami Beach Convention Center – Commission Workshop – March 27, 2006 which was one of the PowerPoint presentations
3. Document titled General Obligation Bonds Sit Milestones
4. Document titled MBCC Revenues/Expenses
5. A. Letter from Jeff Singaas, General Manager, Events & MS Studios, Microsoft Corp, to Mr. William Talbert III, dated March 24, 2006.
B. Letter from Timothy A. Moses, Director, Meeting & Conventions, American Academy of Dermatology Association, dated March 21, 2006 to Ms. Patricia A. Dolan, Director Convention Sales, Greater Miami Convention & Visitors Bureau
C. Letter from Keegan Rodriguez, SAP, to William D. Talbert III, dated March 9, 2006
D. Letter from Sara Cant, CEO, Taling Point Conference and incentive travel Organizers, to Tricia Dolan, Greater Miami Convention and Visitors Bureau, dated March 13, 2006
E. Letter from Mike Ditter, Regional Vice President, W, ConferenceDirect, to Barry Moskowitz, Greater Miami Conventions and Visitors Bureau, dated June 27, 2005
6. Letter from David Kelsey. To Robert Parcher, dated March 27, 2006, RE: Notice of Registration as Lobbyist
7. LTC #087-2006 from Jorge M. Gonzalez, City Manager, to Mayor David Dermer and Members of the City Commission, RE: Convention Center Workshop – CSL Presentation and Reports.